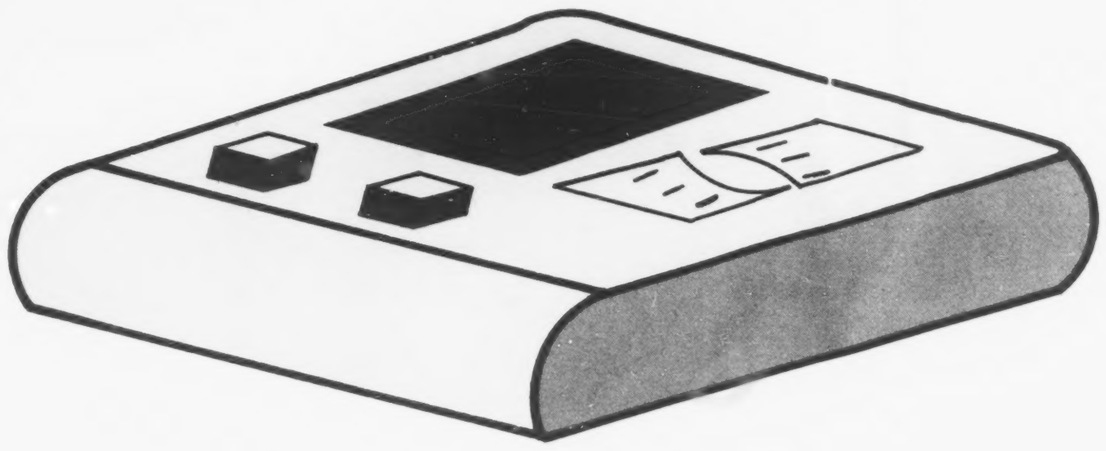


TOY FAIR SECTION

Healthy Christmas Sales Strengthen Open-to-Buy

Nationwide DSN Report

Buyers will be arriving at the Toy Fair next week in a strong open-to-buy position, as a result of a healthy Christmas season that left them with many clean-outs, generally low inventory levels and a limited number of markdowns.

In 1979, as in 1978, the toy department was paced by sales in a relatively new area, electronic games. Virtually all chains contacted said that this expanding classification ran well ahead of all others.

Consumer interest in such versions as Merlin and Simon was exceptionally strong. In addition, electronic sport games—in particular, the football version—were also in high demand, and merchandisers say they are looking to electronic games for continued growth in 1980.

However, these same buyers are quick to point out that the magic of this classification could be undone, either by supply problems or by steep price increases from manufacturers.

Other trends that emerged from interviews with buyers and manufacturers included:

- The steady performance of most basic toy categories, especially plush, preschool and miniature wheel goods;
- The apparent success of radio-controlled products, but only in chains where they were demonstrated; and
- The continued resilience of board games, in spite of a strong challenge from their electronic rivals.

In fact, one industry source asserted that sales volume in board games has increased—not fallen off—as a result of the electronic competition.

As always, this category was led by the old standards, such as Scrabble, Life, Clue and Monopoly. Some of the newer introductions were hot as well, but it is too early to tell if they will be able to match the performance of the classic games.

Among the losing categories for 1979, the only sure disappointments came in space-related toys and the television (or licensed) dolls.

"There was not much action in space this year," an Alexander's source said. "Not much is new in Star Wars figures, and the Buck Rogers didn't do what was expected.

"I think the category died because the manufacturers didn't revive it. They didn't time it to come out with another movie this season. It may pick up when there is the sequel to Star Wars."

At Clover, a merchandiser reported better results with Star Wars, although the derivatives—including Star Trek, Battle Star Gallactica and Black Hole—were not as exciting because "the kids couldn't relate to it."

And even at chains where the space-related toys were a success, the volume was not in the larger Star Wars figures, but rather in the lower-margin small-size characters.

Whereas a lack of successful new promotions hurt the space category, high price points may have been the undoing of television dolls in 1979.

A number of chains reported that sales in the licensed goods lagged behind the regular dolls and plush volume, and at least one discounter believes that future price increases will kill the classification completely.

In the radio-controlled area, where margins can be as high as 40%, a number of discounters were able to turn a healthy profit.

The key to this classification, merchandisers say, is that the various products must be demonstrated for the customers—otherwise, there will be resistance to the high price.

"We bought into the radio-controlled products cautiously in 1979, but we will be going back into it," said a spokesman at Kansas-based David's. "The margins are good, and r/c can make us a little different from our competition."

At Alexander's, products in the $25 to $40 range did well, while the G.I. Joe's chain in Oregon had price points as high as $125. Some buyers decided to go with imports, while Mattel, Precision and Ideal were generally the most popular domestic brands.

As for the more basic categories, including regular dolls, plush, preschool and miniature wheel goods, merchandisers reported that these old reliables again matched expectations.

In contrast to the TV dolls, where Christmas sales were a major disappointment, chains had much better

(Continued on page 27)

80's View: Electronic Games Still Tops, TV Dolls Down, Space May Rebound

What is the market outlook for toys in 1980?

According to buyers and manufacturers, electronic games will lead the department once again this season.

In addition, TV dolls should continue to lose market share, while space figures may rebound with the opening of a new Star Wars movie.

Basic items are expected to repeat their strong 1979 performance, as consumers look for more play value and durability in the toys they purchase. This augurs well for staples like regular dolls, plus, preschool toys, board games and miniature wheeled goods—but it could spell trouble for the high-end radio-controlled products.

Overall, price increases in the department will range from 5% to 20%, depending on the category. Supply shouldn't be a problem, except in some of the electronic games. If the economy softens even further, industry sources expect the public to defer major purchases and spend more time in the home. And that should add up to another big year in toys.

Old standards like preschool toys fared better than space-related items and TV dolls. This display of Playskool toys is at Woolco, Arlington, Tex. (DSN photo)

Discounters Emphasize Basics to Offset Stiff Competition From Specialty Chains

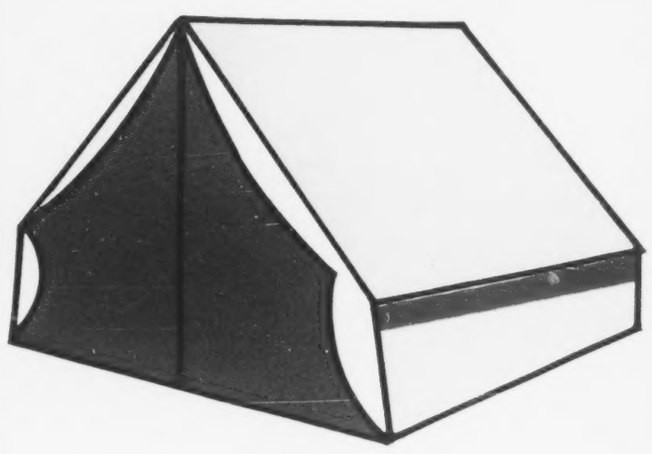
The impact of toy specialist discount chains can be seen in the decreased turns and shrinking gross margin in toy departments. The highly promotional specialists have grabbed a significant share of the market, and increased promotional pressure against discounters in almost every market area.

The response by discounters in recent years, which may reverse the trends of the 1970's, has been to increase the emphasis on basics like plush, board games and preschool toys, and more intensive merchandising of other higher-margin lines in hobbies and low-ticket toys.

Electronics footballing has also diminished gross margins in the department, but year-long sales of the most popular items at everyday prices can help offset the impact of Christmas season promotions.

	1970	1974	1975	1976	1977	1978	1979	10-year change	5-year change	'78 vs. '79
Dept. Size (sq. ft.)	3,300	2,746	2,800	2,746	2,646	2,646	2,646	−19.8%	−3.6%	NC
Annual Turns	5	4.5	4.5	3.8	3.8	3.7	3.7	−26.0%	−17.7%	NC
Volume per sq. ft.	—	$87.00	$85.00	$111.60	$116.28	$120.50	$130.03	—	+49.0%	+7.9%
Initial Markup	32%	33%	34%	33%	34%	33%	33%	+3.1%	NC	NC
Gross Margin	28%	28%	29%	29%	29%	28%	26%	−7.1%	−7.1%	−7.1%
Company Run	88%	94%	94%	96%	96%	96%	96%	+9.1%	+2.1%	NC

NC—no change *Source: DSN Research*



SPORTING GOODS SHOW SECTION

Added Soft Goods Improve Margin; Some Trim Mix

Nationwide DSN Report

Faced with an uncertain economy, rising leather and vinyl prices and high interest rates, sporting goods merchandisers are particularly inventory-conscious this winter.

Many are trimming assortments and staying away from high prices in order to insure turnover. Others are increasing their soft line mix in order to improve the department's gross margin.

Weather is another factor in this seasonal business. A mild winter in Venture's markets has kept turn of outerwear slower than expected, according to buyer Dennis Rising.

"I expected more rapid movement, but I suspect we'll come out clean. We're trimming a lot and trying to get very basic."

ALCO is controlling inventory by cutting high-ticket long guns and reducing ammunition sku's, which add up to a large investment, according to buyer Dave Huscher.

At Clover, buyer Dennis Henning is trimming slow-moving basketballs from seven to at least five sku's.

Soaring leather and vinyl costs further muddy the inventory picture. Henning pointed out that in baseball gloves, for example, he would have 10% fewer units on the floor to maintain the same dollar inventory.

Huscher said that chains can no longer afford to swallow price increases.

"The game is over on being able to shave prices and absorb higher costs," he declared. "Discounters used to think they could reduce margins and sell more merchandise to make the same amount of money, but that doesn't work in sporting goods any more. If you can't increase turns, you can't reduce margins."

Sporting goods buyers see apparel as a way of loosening the gross-margin squeeze. At Clover, activewear represents 30% of the mix, "so I can 'give away' sneakers and tennis balls," according to Henning.

Bradlees carries soft lines to an industry extreme—45% of the mix compared to 5% three years ago. Bradlees' markups of 35% in hard goods and 51% in apparel, as estimated by DSN, are fairly typical.

Other chains are shying away from commitments to apparel because of lack of space and fixtures, and in-store competition with men's sportswear.

While discounters are watching the prices of most hard goods categories, some are experimenting with better lines of fishing tackle.

"There is a definite trend to upgrade," observed James Sylvester of Stem Distributors. "The customer who once spent $5 on a rod is now willing to pay $15."

Discounters have benefited from the decline in price of graphite and are now able to offer such rods at $20-$30.

(Continued on page 58)

Sporting goods buyers are increasing their mix of apparel in order to improve gross margins. Bradlees goes as high as 45% soft lines. This is the chain's new entry in Virginia Beach, Va. (DSN photo)

80's Outlook: Price Hikes, Apparel Boom

The market outlook for sporting goods in 1980 includes:

- Average price increases of 20% in leather balls and gloves and smaller hikes in vinyl and plastic items such as rods and coolers;
- Increased importance of activewear as retailers work to improve gross margins;
- Camping, fishing and hunting will be vulnerable to the availability of gas this spring and summer;
- Exercise equipment will continue in popularity. Racquetball should also enjoy increased sales while tennis will continue to level off;
- In ball games watch for soccer to enjoy growth, possibly at the expense of football and basketball.

Leather balls are seeing average price increases of 20% this winter. Caldor displays basketballs with backboards at its Middletown, N.Y., store and adds soccer balls to an endcap. (DSN photo)

Sporting Goods Play Larger Role; Space Jumps 16%, Turns Up a Third

With department square footage up 16% in the 1970's, and annual turns increasing 34.6%, sporting goods departments are becoming more important in the overall merchandsie mix of discount stores.

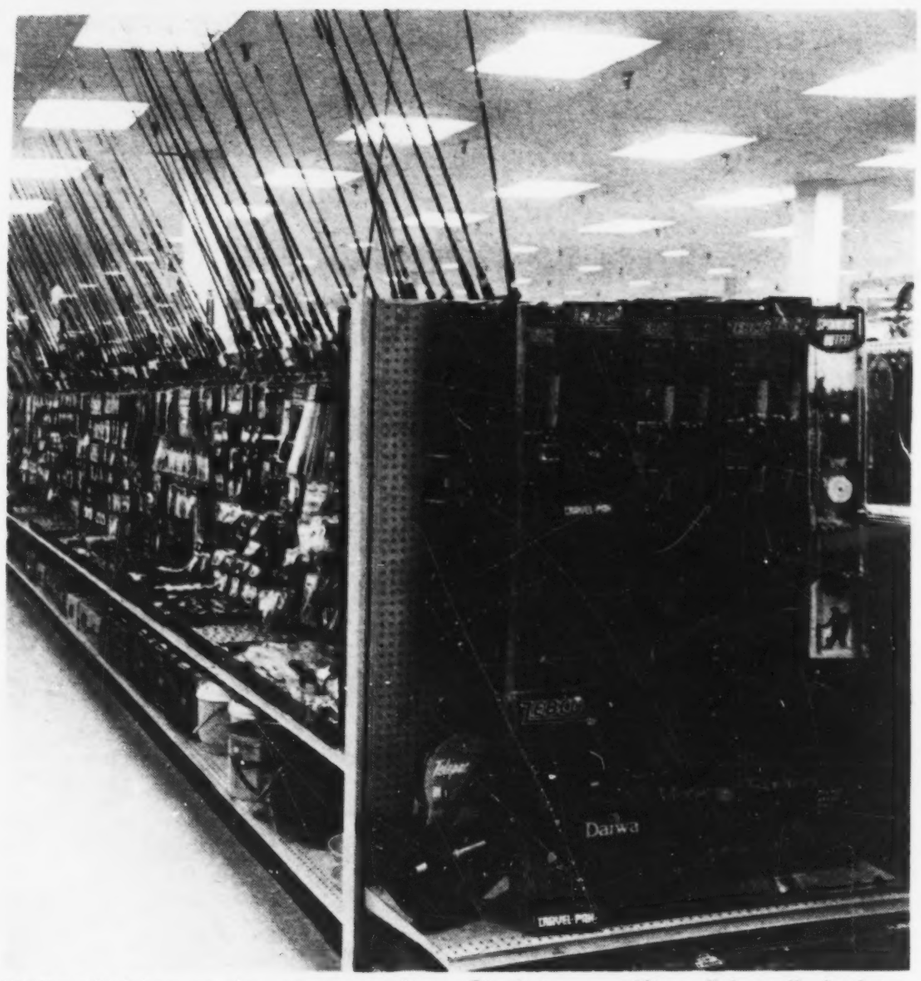
The generally less-promotional sporting goods mix in the last five years—including many items of sports apparel in many stores—has helped gross margins make a small comeback from the 1976 low of 26% and played a major role in increasing the sales per square foot to almost $125.

Continued emphasis by discount chains on the soft lines in sporting goods is likely to bring bigger departments, higher sales per square foot and better gross margins in the 1980's. The physical fitness trend is firmly established, and new products in this category will contribute to higher volume and gross margins in the department. Family leisure activities of a more do-it-yourself nature (instead of travel vacations) and continued growth of the camping accessory market will also help maintain the generally upward curve of this department. Hunting and fishing product lines should remain the foundation of discount stores sporting goods sales.

	1970	1974	1975	1976	1977	1978	1979	10-year change	5-year change	'78 vs. '79
Dept. Size (sq. ft.)	2,200	2,500	2,500	2,500	2,600	2,650	2,550	+16.0%	+ 2.0%	−3.7%
Annual Turns	2.6	3.0	3.0	4.5	4.3	3.5	3.5	+34.6%	+16.6%	NC
Volume per sq. ft.	—	$69.00	$72.00	$122.58	$118.34	$120.32	$124.13	—	+80.0%	+3.2%
Initial Markup	31%	33%	34%	34%	34%	34%	35%	+12.9%	+ 6.0%	+2.9%
Gross Margin	29%	26%	27%	26%	29%	26%	27%	− 6.9%	+ 3.8%	+3.8%
Company Run	81%	90%	91%	96%	96%	96%	96%	+18.5%	+ 6.6%	NC

NC—no change *Source: DSN Research*

SPORTING GOODS SHOW SECTION



Better fishing reels, promoted as Christmas gifts, did well during December. Tackle, including prepackaged and loose combos are shown here at FedMart, Torrance, Calif. (DSN photo)

SPORTING GOODS

[Total dollar movements for this PMA are low because of diminished inventories at the end of the year. The Stem Distributors PMA in DSN's 1979 Sporting Goods Show section reflected November sales and therefore showed higher dollar movement. This year more recent December figures were available.]

$ Rank Curr. List	$ Rank Prev. List	Item	Unit Movement	Average $ Retail	Total $ Movement
1	10	Crosman .177/BB CO-2 rifle 5073	200	30.35	6,070
2	—	Coleman adj catalytic heater	93	46.24	4,300
3	3	Coleman dbl-mntl lantern 220J-195	102	30.19	3,079
4	7	Coleman 2-burner stove 425E499	84	31.46	2,643
5	33	Crosman 177 gas revolver 38T	55	45.99	2,529
6	—	Remington 22 LR amn 100 pk 1500	700	3.34	2,338
7	13	Crosman Powerlet 5-pk 231/5PD	912	2.38	2,170
8	—	Daiwa Bait cs rl BB HI-SPD 5HS	30	67.37	2,021
9	—	Daiwa skirted silver spin reel 1600C	73	26.79	1,956
10	6	Coleman 48-qt poly clr 5286-703/706	64	30.11	1,927
11	14	Crosman pump B/177 pistol 1377	41	44.70	1,833
12	25	Crosman Milk Carton Super BB's 737	1,044	1.75	1,827
13	5	Rem 22LR Thndrblt ammn TB22	1,200	1.52	1,824
14	—	Daiwa spincast reel gold 510RL	68	26.39	1,795
15	—	Ash Super Light 3D 3745-1	504	3.43	1,729
16	—	Ash Classic Chrome Lite 3340-1	456	3.53	1,610
17	—	Precise 1 bld fold deer kf 11835	103	15.33	1,579
18	8	Crosman BB/177 rifle 5760/760	36	43.84	1,578
19	—	Daiwa bait cast reel 3R	39	39.14	1,526
20	38	Coleman 2-burner stove 413-G-499	37	41.23	1,526
21	44	Coleman 4-gal Oscar cooler 5274-702	104	13.74	1,429
22	21	Ash flashlight w/2D or 2C battrs 3092	414	3.45	1,428
23	24	Coleman propane lantern 5114-700	62	22.90	1,420

(Continued on page 55)

Discount Store News

PMA®

PRODUCT MOVEMENT AUDIT

High-Ticket Rods, Reels Top Chart

By Don Petti
President,
Stem Distributors

High-ticket rods and reels and better hunting knives were strong gift items during the 1979 Christmas season, according to our Product Movement Audit for the month ended Jan. 4. The PMA listed best-sellers in camping, fishing, BB/pellet guns, hunting accessories and balls.

Three better Daiwa reels, promoted heavily as gifts, moved onto the chart, taking eighth, ninth and 14th places. They were a high-speed bait cast, skirted silver spin and gold spincast models.

The higher tickets (an average $67.37 for the high-speed reel) combined with modest unit movement resulted in high dollar movement for these three models.

Better tackle boxes and higher-ticket knives also surged at Christmas. Twelve Precise knives were on the top 70 list, including a one-blade deer model, 17th on the chart, which produced, $1,579 in total dollar movement.

Others that made a strong showing were the same brand's Handyman Swiss Army knife, No. 29, and slim lockbacks in small and large, Nos. 38 and 39.

A Rebel three-tray tackle box, retailing at an average $12.95 ticket, moved into slot 26 while a less expensive Vlchek model was 57.

BB and pellet guns and ammunition, also big gift items, continued to dominate the chart, taking four out of the first 10 places and seven of the top 15. Crosman grabbed first place with its .177/BB rifle 5073 which produced a total movement of $6,070. Other top Crosman items were the 177 gas revolver 38T, which moved up from 33rd to fifth place, and the BB/177 pump pistol, up from 14th to 11th.

Remington dominated the

(Continued on page 55)

Figures supplied by Stem Distributing, a division of Cook United, Maple Heights, Ohio, cover 600 stores, including 480 discount department stores, in 35 states. Average retail prices listed by the distributor reflect typical price points for discount clients.

We've added
an extra mileage ingredient to our
co-op advertising program.
More money.

Earn a dollar per case to advertise gas-saving Shell Fire & Ice® Motor Oil. Your Shell Fire & Ice Motor Oil customers will be getting better mileage out of gas-saving formula Shell Fire & Ice, and our dollar-a-case co-op bonus makes sure *you* will, too.

We'll put one dollar in your co-op advertising account for every case of Shell Fire & Ice delivered to you between January 1st and May 31st, 1980. And you can spend all that money on Shell Fire & Ice advertising from March 1st until May 31st.

After May, you'll start receiving the *new* ongoing co-op allowance of 42¢ per case —over a third more than last year! (See your Shell Representative for full details.)

So start ordering Shell Fire & Ice today. With all the extra mileage ingredients we've added, you can go a long way.

Shell

SPORTING GOODS SHOW SECTION

Discount Store News

PMA®

PRODUCT MOVEMENT AUDIT

Rods, Reels

(Continued from page 54)

ammunition classification with six packages in the top 50. The Marksman 177 pistol 1010 moved up from 49th to 29th while a Marksman 177 rifle 7401 debuted on the chart. Two Daisy BB guns were 34th and 51st.

Coleman camping products continued their strong showing, taking four of the top 10 places. They sold both as gift items and as basic gear for winter camping, ice fishing and indoor emergencies—blackouts or heat shortages.

The high-ticket catalytic heater, doing 90% of its business during the winter, hit second place. At an average retail price of $46.24 this heater generated $4,300.

Coleman held third place with its double-mantle lantern, while the two-burner stove 425-E-499 moved up from seventh to fourth place. Other Coleman products in the top 25 were the 48-qt. poly cooler, two-burner stove 413-G-499, four-gal. Oscar cooler, propane lantern and propane stove.

Strong Showing

Ash flashlights and lanterns, which traditionally pick up during the winter, made a strong showing, taking five spots among the top 30. Best among this group was the Super Light 3D 3745-1, which realized $1,729.

The Spalding Barry, Dr. J and Swisher basketballs all remained in the top 60, although all took lower slots. The Dr. J dropped from second to 50th, Barry from 11th to 43rd and Swisher from 39th to 60th. Meanwhile a Spalding soccer ball moved onto the chart and led all three basketballs as No. 32.

Other newcomers to the chart were two Hopkins cues, which settled in at 41st and 44th. A Marksman dart kit was 54th and a Precise pedometer was 59th.

SPORTING GOODS

(Continued from page 54)

$ Rank Curr. List	$ Rank Prev. List	Item	Unit Movement	Average $ Retail	Total $ Movement
24	—	Coleman prpn stv econ 5400-A-700	37	37.96	1,404
25	—	Ash lantern 6V Masterbeam 7033/33	216	6.45	1,393
26	—	Rebel 3-tray tackle box lge 630	104	12.95	1,347
27	—	Ash heavy-duty flashlight AT 3350-1	600	2.24	1,344
28	—	Jet aer mag fillet knife 9-in. 2025	96	13.84	1,329
29	49	Marksman pistol, .177 1010	91	14.46	1,315
30	—	Master spincast 6-ft. 2-pc rod 7010	64	19.36	1,239
31	—	Precise Handyman Swiss Army	45	27.53	1,239
32	—	Spalding soccerball proflit 61-713	54	22.90	1,237
33	—	Coleman lantern 275-710	36	34.03	1,225
34	—	Daisy BB 6-gun pistol 179	68	17.29	1,176
35	—	Claw 7-ft. spnnng rod med DSSM329	64	18.23	1,166
36	26	Rem 158-gr-spl ammun 38S5/5138	113	10.20	1,153
37	—	Hopkins wrist control mens 452M	312	3.65	1,139
38	—	Precise slim lockback sml 16414	97	11.62	1,127
39	—	Precise slim lockback lrg 16415	85	13.05	1,109
40	—	Rem shot shell RS12-6	200	5.53	1,106
41	—	Hopkins 48-57-in cue take-apart 57C9	88	12.53	1,103
42	—	Precise 2 blade w/scissors 11839	76	14.35	1,091
43	11	Spalding Barry Basketball 61-226	66	16.29	1,075
44	—	Hopkins 57-in.cue 2-pc wrap	113	9.36	1,058
45	—	Marksman rifle .177 7401	33	30.89	1,019
46	—	Precise drop point skinner	54	18.36	991
47	46	Crosman 177 pellet disp 7177/177PD	874	1.13	988
48	—	Coleman slpg bg 3-lb nyln 8137-626	48	19.91	956
49	—	Rem 2¾ expr shell SP12-6	120	7.64	917
50	2	Spalding Dr J Basketball 61-232	66	13.72	906
51	—	Daisy Pal BB gun repeater 7105	49	17.90	877
52	—	Rem H/S 22LR 40 GRS 1522	500	1.68	840
53	—	Hopkins Don Carter bowling glove 484	120	6.97	836
54	—	Marksman Shootin Darts Kit 7000	39	21.26	829
55	—	Precise blackhawk skinner/hunter	54	15.33	828
56	28	Coleman 21A slk mntl 21A-1001	1,550	0.53	822
57	—	Vlchek 2-tray tackle bx assort PA102	114	7.16	816
58	—	Precise fold-hunter w/saw bd 16412	55	14.74	810
59	—	Precise pedometer stride adj 25235	60	13.46	807
60	39	Spalding Swisher basketball 61-275	84	9.52	800
61	—	Precise Deerslayer 3 blade	79	10.05	794
62	23	Crosman BB/177 pellet rifle 5766/766	15	52.68	790
63	—	Rem 45 auto 45AP4/6645	51	14.78	754
64	—	Precise Trail Point Hunter 10830	39	19.16	747
65	—	Precise Scout Swiss knife 16931	47	15.75	740
66	—	Precise blackhawk skinner 16402	48	15.33	736
67	—	Rem shot shell DP12-6	100	6.98	698
68	—	Rem 108-gr 30-06 spr/fld 30064/6430	67	9.70	650
69	—	Rem 22LR Yellow Jacket H Pt 1722	300	2.02	606
70	—	Rem 2¾ exp shell SP16-71/2	80	7.30	584

Source: Stem Distributors

Gee Bee to Add 2 Pa. Units by '81

JOHNSTOWN, Pa.—Gee Bee will open two new discount stores in Pennsylvania by 1981, one in Pittsburgh and the other in York.

The Pittsburgh site, in the Southland Shopping Center in Pleasant Hills, is a 90,000-sq.-ft. former J. C. Penney. It will be completely remodeled and refurbished, and is scheduled to open in the spring of 1980.

An 80,000-sq.-ft. Gee Bee store will also be opened in 1981 west of York, in the newly announced Crown American West Manchester Mall. These openings will bring the total number of stores in the chain to 18.

NMRI Sets Theme For Merchandising Convention

NEW ORLEANS—The National Mass Retailing Institute will hold its annual merchandising convention at the Fairmont Hotel here, May 10-14.

The convention's theme will be "Refinement of merchandising strategies to meet today's consumer and profit requirements . . . refinement of management and operating techniques to raise productivity."

Strawberry Shortcake™ comes to Plus Mark for Christmas.

Strawberry Shortcake, the newest star in character merchandising, has come to Plus Mark in time for Christmas. She's women's favorite design motif—the strawberry—brought to sparkling life. So she's a natural on giftwrap, ribbons, bows, boxed cards and more.

And Strawberry Shortcake is going to be a pre-sold success for you, too. Because big names like Kenner Products, St. Regis Paper, American Greetings Corporation, Parker Brothers and Random House are behind her with million dollar advertising plans. There's even an animated TV special.

A Plus Mark Exclusive.

Plus Mark has an exclusive on Strawberry Shortcake promotional gift wrap and boxed cards for Christmas 1980. So if you want this sweet success on your shelves for Christmas — call your Plus Mark rep today or phone us direct at (615) 639-7878

Welcome to the World of Strawberry Shortcake™

plus mark

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Spring Car Care Buy-in: Pp. 37-60

Discount Store News

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

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Retail Execs' Pay Low, Lags Behind Other Industries'

NEW YORK—Salaries of executives in retailing—particularly mass merchandising—are low and are continuing to lose ground in relation to other industries, according to a report by Arthur Young, the accounting firm.

Edwin Mruk, managing director of the firm's executive resource consultant division, told an elite group of discounting executives at the recent Top Management Conference sponsored by the National Mass Retailing Institute that retailing's salaries lag behind other industries' at each level of management. He warned that if the industry is to attract the executive talent it will need to thrive in the 1980's, compensation packages will have to be revised to become more competitive.

Mruk blamed the top executives of retail companies for allowing the industry to lose its allure to young men and women.

"This picture of compensation in the retail industry is admittedly dismal and dispirited. In the 50's and the 60's retailing was one of the highest-paying industries and could attract talented, bright, hard-working, ambitious and entrepreneurial young people. That situation does not exist now, but I believe it will return," he told the conference.

"Too frequently, however, the retail view has been myopic. Retailing compares itself only with itself and not with other industries. This situation must change in this decade, and I predict we are seeing first signs that it will develop rapidly as it takes hold. Those retailers who look to other fields and begin to compare themselves with other industries and emulate them in their search for management talent in the 1980's will be the most successful. Those who do not will not have success."

A biennial study of executive compensation was published last year by Arthur Young. The study, for which Mruk was responsible, showed that in 1978 the average total compensation for chief executive officers of companies with sales of $200 million to $1 billion was $239,046. Retail companies of the same size paid ceo's only

(Continued on page 62)

CEO's Total Compensation, 1978 Averages

Company Sales (in millions)	Retail Industry	Mass Merchants	All Industries
Under $100	$140,700	$110,500	$132,974
100-200	127,300	123,666	177,600
200-1,000	197,722	190,492	239,046
Over 1,000	354,100	444,823	392,482

NOMINATIONS have been received for DSN's Discounter of the Year award and for Discounting's Hall of Fame. See story, p. 2.

Chains Multiply Printing-Calculator Sku's

Nationwide DSN Report

The tax man may be mostly unloved, but not by calculator merchandisers.

In 1980, discounters are going heavier than ever with high-ticket and high-margin printing calculators in anticipation of harried taxpayers seeking aid in filling out their returns.

Price points for printing calculators in 1980 are widely divergent among discounters. While most will be in the $60-$70 range everyday, Community is offering a $49 unit and Gee Bee a $130 model.

Where in the past most discount chains may have carried one or two calculator sku's with printing capability, this season chains such as Bi-Mart and Gee Bee were planning on at least five models with the newer hand-held units being added.

And while most discounters, including Heck's, Community, and Gibson's, still consider printers basically a one-season piece of merchandise, Gee Bee

(Continued on page 65)

12 Philly Jeffersons to Add Ward Desks, Outdoor Biz Areas

GARFIELD, N.J.—Outdoor sales areas, Montgomery Ward catalog order desks and in-store restaurants will be added to the 12 Philadelphia-area Two Guys stores just acquired by Jefferson.

A spokesman for Montgomery Ward, Jefferson's parent, added that automobile service centers may be added to some of the stores later, and that the Jefferson/Ward stores would offer repair and delivery services similar to Ward's.

The latest Jefferson acquisition gives the chain a 20-store base in the Philadelphia market. The first openings, comprising four previously acquired units, will come in March, and all 20 will open by the end of the year.

The agreement reached between Ward and Two Guys' parent Vornado calls for delivery of "broom clean" properties by May. The Two Guys stores were closed briefly, then reopened

(Continued on page 4)

Unique Mix Helps Make Mervyn's Coast Apparel Star

By Judith Crown

HAYWARD, Calif.—Mervyn's, wielding a unique merchandise mix, combined with sophisticated computer technology and disciplined operations, is continuing to shake up the moderate-priced apparel market on the West Coast.

Executives say the chain offers value by promoting but not discounting—that an entire wardrobe can be purchased for under $200.

The assortment comprises a narrow and deep assortment of basics: Levi Strauss and private label merchandise, which are heavily promoted, and other key mainstream brands that are offered mostly at full price.

The 60-unit chain headquartered here did estimated sales last year of $641 million.

This provides tough competition for upscale discounters like Gold Circle which are unable to offer national brands, and off-price chains like Atherton's Pic-a-dilly, which cannot offer depth or continuity of merchandise.

Mervyn's has been one of Dayton Hudson's strongest suits since it acquired the chain in 1978. Mervyn's and Target have been pacing the parent's sales gains and are the strongest contributors to its bottom line. Mervyn's had sales increases of 34% for the first nine months of 1979, 36% in December and 32% in January. Every store is profitable, according to spokesman Lizette Weiss.

Mervyn's plans to double in size within the next five years—mostly within its current markets in California, Arizona, New Mexico, Nevada and Oregon, with expansion into new trading areas in

(Continued on page 5)

Mervyn's regular promotions of Levi's Bend Over pants (l.), shown here at the Redwood City, Calif., store, provide stiff competition for discounters like Gold Circle, unable to obtain nationally branded soft lines. Men's wear in a San Jose, Calif., area Gold Circle is pictured above. (DSN photos)

NSGA Showgoers Focus on Apparel, Leisure Equipment

CHICAGO—Merchandisers gathered here for the National Sporting Goods Association show concentrated on leisure sports equipment and accessories, and sports apparel, as prospects for those categories got near-unanimous high marks.

The exercise category, roller skates and inflatable boats also got attention, as buyers anticipated continued strength in those classifications, but hunting, fishing and camping are being counted on for a firm foundation.

Milt Aronowitz, sporting goods buyer for Jamesway, is getting good results with skates and exercise.

"I keep getting calls from the stores, asking me to step up the test program in skates,"

(Continued on page 67)

14 Stores Already Shuttered

Korvettes Is Seen Returning to Discount Approach

NEW YORK—Korvettes has focused its 11th-hour survival efforts so far on closing unprofitable stores—14 have already been shut—and is returning toward discount store merchandising.

The other major element in the plan, arranging additional financing, was being pursued at presstime by Korvettes' parent Agache-Willot, according to the retailer's chairman Alain Mathieu.

The radical store surgery, with at least two more units expected to be closed, and a "return to the concept of basic value that was the foundation of the company's original success" support DSN's analyses of the basic problems faced by what had been a 50-store chain (see DSN, Nov. 5, 1979, p. 1; Jan. 28, 1980, p. 1).

But Korvettes' need to arrange additional financing, after Agache-Willot purchased the chain from Arlen Realty & Development Corp. 11 months ago for $35 million and then pumped in more than $30 million in working capital, points up the the seriousness of the problems facing the chain.

Nicholas Palihnich, Korvettes president, asserts the chain will be profitable by 1981. He made this projection in responding to a series of questions posed by DSN after the retailer released broad details of an extensive marketing and operational program to "turn Korvettes around by generating more profits from fewer stores."

The twin tracks Korvettes is pursuing simultaneously call for (1) reducing costs by closing unprofitable stores, leasing out excess space, consolidating warehousing, cutting back on headquarters and store work forces, and streamlining advertising; and (2) redirecting merchandising to become "a promotional department store" by "carrying lower-priced lines in important areas and promoting items more aggressively."

This year could answer the questions of whether Korvettes' new program is the answer to its problems, whether it has enough time to do the job, and whether it will have the necessary financial support.

The 14 stores closed by Korvettes generated $95 million in sales and produced an $8 million loss. (Korvettes' fiscal year ended Feb. 23, 1980. In its pre-

(Continued on page 66)

Retailers, Other Firms Give 'Platform'

WASHINGTON—Retailers and other delegates to the White House Small Business Conference last month asked President Carter and the Congress to support legislation freezing the Federal minimum wage, to reduce taxes for small firms and to block the "monopoly and conglomerate growth of giant corporations."

Small business representatives also requested in 60 proposals special treatment from regulatory agencies, additional Federal protection against inflation and more Government help to survive the energy crisis.

Besides asking for legislation and programs to help small businesses, the 1,600 delegates recommended shifts in Administration economic policy that would benefit large firms as well. The delegates urged the President to place high priority on balancing the Federal budget and slicing payroll taxes by freezing the Social Security wage base and rate at the January 1980 level.

In effect, amounting to a "platform" for small businesses, the resolutions came out of workshops on a dozen issues including regulatory problems and paperwork, capital formation, women in business, energy, economic policy and Government programs and international trade.

Of the 60 proposals finally approved, the top 15 were high priority. The proposal which received the most votes called for a replacement of the present corporate and individual income tax schedule with more gradual rate scales. In addition, the schedule would raise the corporate income level receiving the maximum tax rate from $100,000 to $500,000.

Another proposal called for the adoption of a simpler accelerated cost recovery system to replace the present one, giving small businesses a break in depreciating equipment for tax purposes. Among the other top priority recommendations were proposals to:

- Provide for a tax credit for initial investment in a small business and permit deferral of taxes for rollovers of investments affecting small businesses.
- Provide tax incentives in the form of a new security called a Small Business Participating Debenture to provide a source of capital for small businesses.
- Revise estate tax laws to ease the tax burden on family-owned businesses and encourage the continuity of family ownership.

Other recommendations would:

- Reimburse small businesses for court costs, reasonable attorney fees and administrative

(Continued on page 8)

Candidates Nominated For Discounter Awards

NEW YORK—Five top discount store executives have been nominated for the Discounter of the Year award that is presented annually by DSN to the person who has made "the most significant contribution to discounting during the previous 12 months."

Nominations have also been announced for Discounting's Hall of Fame, which honors individuals or teams who made "the most significant contributions in the history of discounting."

The executives nominated for Discounter of the Year are:

Carl Bennett, president, Caldor: developed his Northeastern regional company into the industry's 15th largest chain.

Arlie Lazarus, president, Jamesway: helped make Jamesway one of the fastest growing regional chains, and a leader in providing community service.

Charles Lytle, president, G. C. Murphy Co.: is engineering a significant turnaround for the company, which is the parent of Murphy's Mart.

Ken Macke, board chairman, Target Stores: led the chain's rise to the $1 billion mark in sales.

Jim Newgent, president, T.G. & Y. Stores: is piloting conversion of the billion dollar-plus variety store operation into a major discount chain.

The nominees for Discounting's Hall of Fame are:

(Continued on page 8)

In This Issue...

FORK IN THE ROAD? After a decade of automotive sales growth, discounters may see a slowdown. They expect decreased consumer spending on most nonessential auto products, due to soaring petroleum prices and a lagging economy. However, as DSN's Spring Car Care Buy-in section reports, there are many potential bright spots. The increasing trend among consumers to maintain their vehicles better, rather than buy new ones, should further spur volume in items useful to the do-it-yourselfer, and products that will make cars run more efficiently or increase gas mileage. The latter have already shown a yearlong gain in movement, according to the latest Product Movement Audit. A possible downbeat note is being sounded with respect to the car stereo boom, where at least a few chains have cut inventory. (Pp. 37-60)

POST-YULE Rx. Vitamins and cold remedies are in the forefront of many discounters' post-Christmas advertising drives. Among the chains using H&BA promotions: K mart, Murphy's Mart, Korvettes, Target, Gold Circle, Jefferson and Gold Circle. (P. 35)

DISSA AND DATA. The DSN/Touche Ross Discounter Management Development Series offers another installment in its electronic data processing study. This one gives the do's and don't's of reporting and allocating EDP expenses. (P. 23)

HOT JANUARY. Many leading discounters registered double-digit sales gains in January. (P. 28)

MONEY TALKS. Retailer-financed political action committees are growing but the NMRI's prexy finds some cause for concern. (P. 7)

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Spotlight on: Domestics Display

Gold Circle Gives A Hang For Sheets And Pillowcases

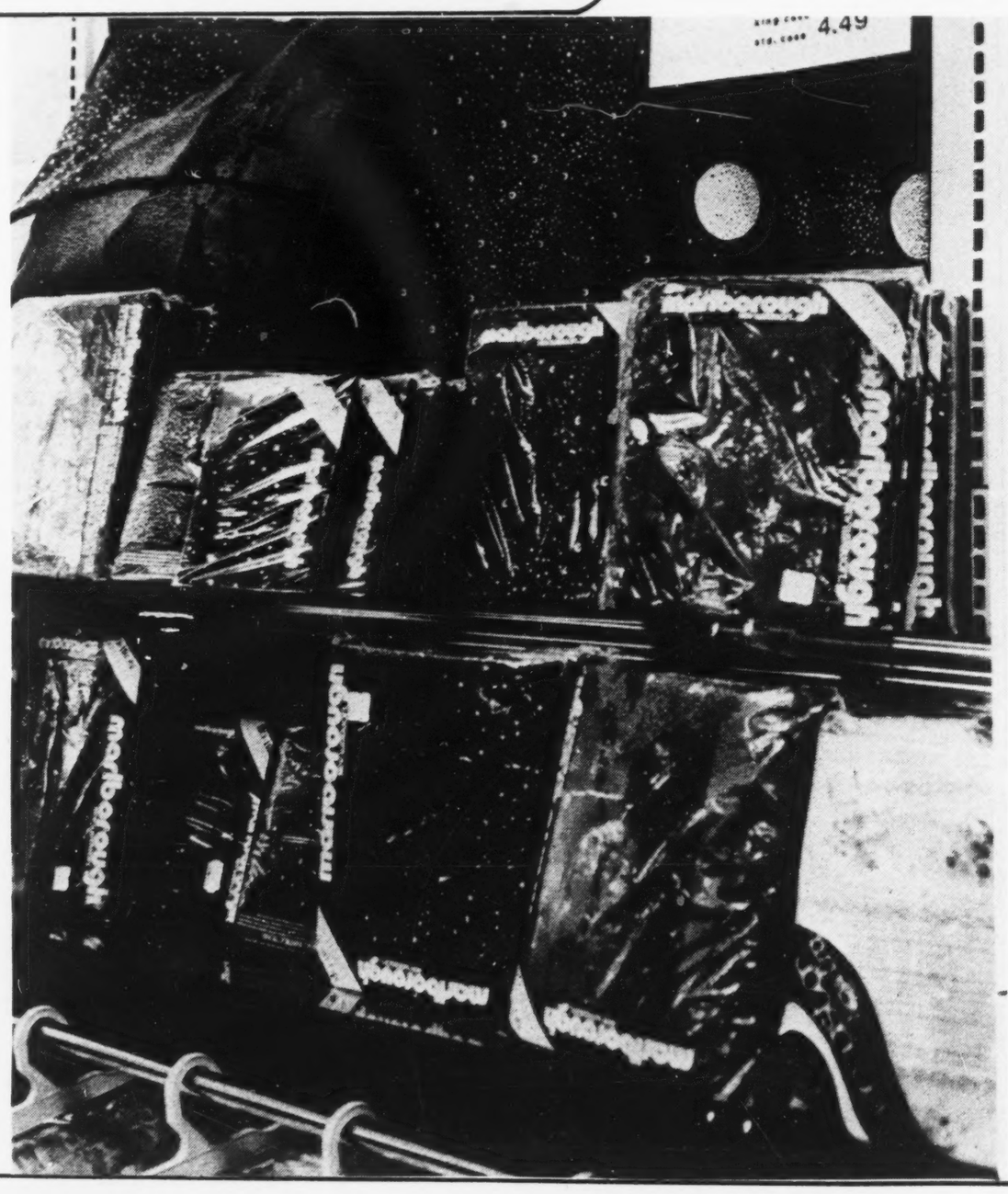
SAN JOSE, Calif.—At Gold Circle, domestics customers can see how a pillowcase will look on a pillow and see the effect of a sheet stretched across a mattress. The linens are merchandised on shelves with coordinated bed coverings hung underneath.

The overhead displays are simple merchandising tools that show the impact of a print and break up the monotony of a long gondola.

This presentation is of Marlborough's "Sightings" at Gold Circle's Hillsdale Avenue store outside San Jose.

Similar displays are scattered among four gondolas of bed linens which include offerings under Pacific, Thomaston, Bibb, Marlborough, Lady Pepperell, Pequot, Danville and Tastemaker labels.

Domestics does 12%-15% of sales chainwide. (DSN photo)



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Latch hook kits, perhaps the fastest growing hobby/craft category for discounters, are offered with accessories in a soft crafts department in Gold Circle near San Jose, Calif. (DSN photo)

Retail Executives' Pay Low

(Continued from page 1)

$197,722 on average while mass merchandisers were below even the retail average—$190,492.

In middle management positions, retailing was also significantly lower than other industries. The study pegged average compensation at that level in 1978 as $41,509 for all industries and only $38,683 in retailing.

Mruk cautioned that retailing's response to its sinking appeal must be across-the-board, not simply at top-level positions. "It will not be enough simply to try to attract the key people at the top; a top-quality supporting cast must be developed as well."

Currently, he told the conference, retailing is perceived as a relatively unrewarding career by talented young persons.

"A recent survey of business school graduates ranks retailing only slightly above utilities as an industry to which graduates are attracted. They tend to think of it as an exciting field where entrepreneurial skills may be used, but not an industry in which these skills are rewarded.

"As a general business proposition, the riskier the business, the more the executive should be paid if that person is successful."

While retailing as a whole also trails other industries in the use of stock plans as a reward to executives, mass merchandisers have a far better record than other retail segments. Other than in the retail industry, Mruk said, approximately 70% of publicly owned companies have stock option plans.

Only 39% of publicly owned retailers have similar plans but when mass merchandisers are considered alone 73% have such plans.

Mruk predicted that retailers will increasingly turn to option plans and other stock-related means to supplement base salaries in the 1980's.

But while retailers must play catch-up ball to again become competitive in compensation programs, other pressures will make the task difficult.

"Clearly the recessionary economy, coupled with continuing double-digit inflation, has put corporate managements between the proverbial rock and a hard place with respect to executive pay. The rock is the executive's need for more dollars to fight inflation. The hard place is the company's ability to pay in a period when corporate performance may well decline. Add to that a Government pressure to restrain pay increases, which will probably stay with us in one form or another."

Executives, especially chief executive officers of companies in all industries, have actually experienced a decrease in real compensation—aftertax income adjustd for inflation—in the period from 1972-78. Retailers, whose total compensation has increased at a slower rate than the overall average, were especially affected.

For the top executive group, which Arthur Young defines as the ceo, chief financial officer, treasurer and controller, the average salary increase in 1978 was 12.2% in retailing while the average for all industries was 13.6%. The differences found in earlier studies was even greater. In 1976 retailers in the top executive group received average increases of 10.1% compared to 14% as the all-industry average, and in 1974 the figures were 3.7% for retailers and 11.8% overall.

From 1970 to 1978, of 24 industry groupings, the average total compensation of retailing ceo's dropped from a ranking No. 1 to 14th while the top executive group dropped from third place in 1972 to 13th.

Hobby Buyers Maintain Basics Approach

(Continued from page 3)

peat customer, and less-advertised items such as track for road-race sets usually get 60% markups.

Still, many discounters are reluctant to get involved in anything but the fast-moving basics.

"Anything above $49 belongs in a hobby store," said a buyer from a western regional discounter. "Even kits don't lend themselves to self-service—they require explanation. There is a risk of markdowns. We do well with entry-level remote control cars and railroads."

A buyer from Western Model, a Cincinnati-based distributor, said in hard goods hobbies, he saw an emphasis on staples with few new categories and with the major manufacturers trying to keep a lid on prices.

In hobbies and crafts overall, he said, latch hook kits have enjoyed the strongest growth in the discount market.

"It doesn't take a lot of sku's to set up a department," he noted. "They are most successful when merchandised with domestics rather than hard goods kits and sets."

Discounters appreciate the high markup in latch hook kits—typically 50%—and an average of six turns a year.

"After all," the Western Model buyer said. "Hobbies are supposed to be profitable."

Practicality Accessories Key

(Continued from page 49)

guards, chrome wheels and similar merchandise may have been of negligible importance to ALCO and Pamida, chains such as Jamesway and others are bracing for worrying declines in their accessory sales.

Even rubber mats, which the Pamida spokesman singled out as particularly good performers, are said by a Jamesway merchandiser to have fallen off.

"Accessories have always been important to our promotions," he said, "but this year we're going to have to be very selective in choosing key items to promote. Building traffic may be difficult so we have to choose items that are useful to our customers."

Rather than endcapping dress-up products such as driving lights and sport mirrors, Jamesway will stress promotional merchandise such as foot-operated air pumps and bug removers to draw people into the stores and the department.

"We'll merchandise a foot pump as something that can help save gas by maintaining proper tire pressures," the spokesman said.

Practicality will also be the key to accessory merchandising at Heck's and Fisher's Big Wheel.

"If a customer doesn't have to have something to keep his car running, he's not going to be inclined to buy it," the Heck's spokesman said. "More than ever before, you have to show him he needs it before he'll buy it."

The Big Wheel spokesman said that accessories that are useful to the do-it-yourselfer—tools, jacks, test equipment and such—have the most chance of maintaining sales momentum.

Washington Beat

(Continued from page 7)

tion Commission figures, but labor organizations topped this amount, contributing $10.3 million. Trade, membership, and health-related organizations contributed $11.5 million.

In 1978, a total of 1,459 PACs gave support to candidates for national office.

Retailers contributed hundreds of thousands of dollars. Sears, Montgomery Ward, and J. C. Penney all made contributions through their PACs. Also, trade associations, including the American Retail Federation (ARF) and the National Retail Merchants Association (NRMA), assisted candidates through PACs. The ARF contributed over $10,000 to House and Senate candidates; state chapters gave additional support. The NRMA contributed over $2,500. War chests for this election year are already beginning to receive substantial funding.

"It's a great thing for us," Fisher said of the NMRI PAC. He and Brecker spearheaded the group's formation. He added: "The effect will be known to the rest of the industry. We will be supporting candidates who will be fair and equitable with retailers."

At the midpoint this year, it will be interesting to examine which candidates discounters have supported and how they fared in the primaries. Whatever the outcome, discounters are paying attention to the important effect that Washington has on them.

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